

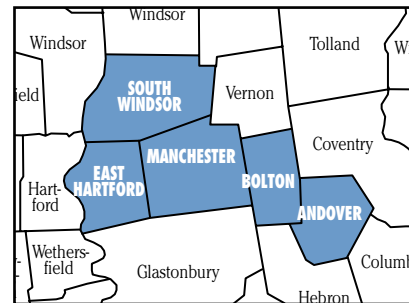
## MANCHESTER MEMORIAL HOSPITAL

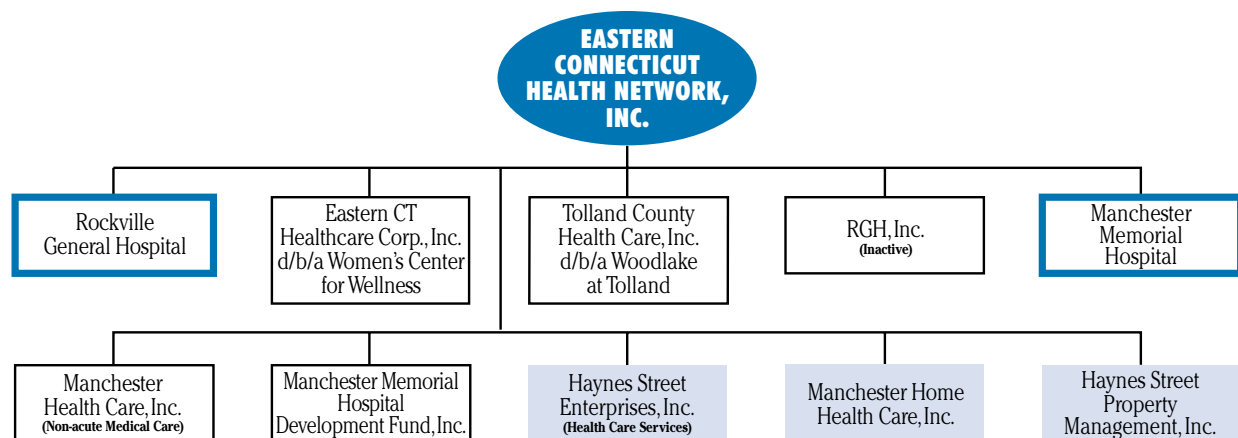
Manchester Memorial Hospital (MMH), founded in 1919, is located in Manchester and, in addition to that town, primarily serves four other towns. In FY 1999, it staffed 199



of its 283 licensed beds and employed 990 Full Time Equivalents. It is a member of the Eastern Connecticut Health Network, Inc. (ECHN) along with Rockville

General Hospital (RGH), with whom it was affiliated in 1994. The ECHN acts as a single administrative structure for the two hospitals. The hospital's average age of plant is 11 years as compared to the U.S. average of 9.2 years.





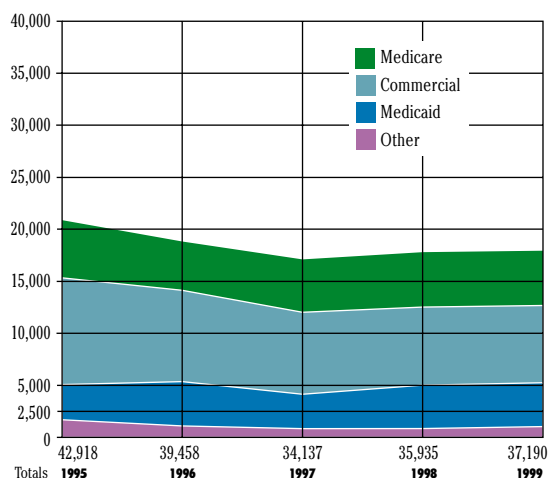
For Profit Entity

MARGINS	1997	1998	1999
Total margin	6.52%	1.86%	-1.37%
Operating margin	4.26%	-1.48%	-3.10%

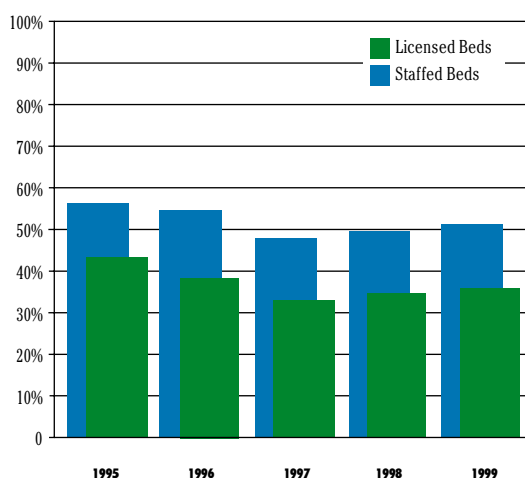
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.46	.44	.48
Medicare Payment to Cost	.92	.86	.82
Medicaid Payment to Cost	.65	.35	.49
Private Payment to Cost	1.39	1.46	1.27
Uncompensated Care Cost	\$2,877,993	\$2,075,718	\$2,511,811
Total expenses	\$82,762,074	\$87,595,581	\$94,739,074
Uncompensated care % of total expenses	3.48%	2.37%	2.65%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	50.20%	52.26%	50.16%
Debt service coverage	3.68	3.56	3.56

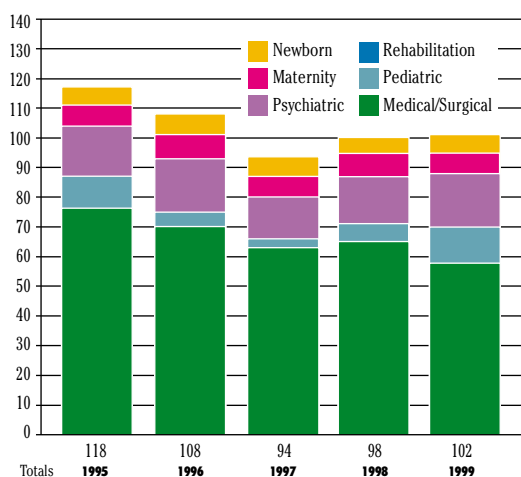
LIQUIDITY MEASURES			
Days of expenses in accounts payable	90.59	85.32	99.47
Days cash on hand	30.26	5.80	26.55
Days of revenue in accounts receivable	69.89	67.79	100.04



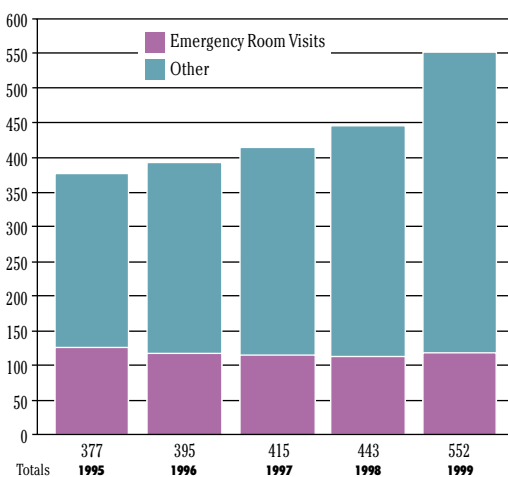
**PATIENT DAYS BY PAYER**



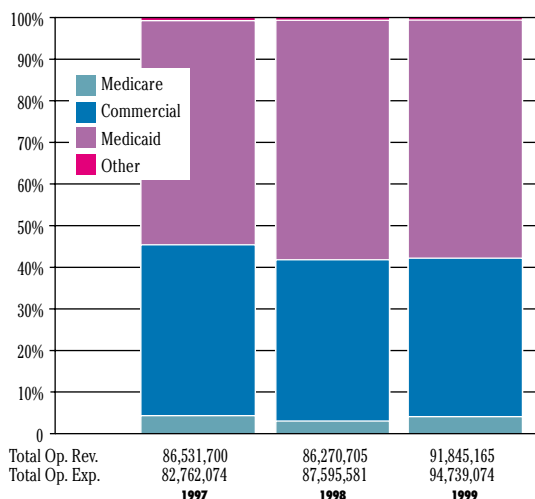
**AVERAGE OCCUPANCY**



**AVERAGE DAILY CENSUS BY SERVICE**



**AVERAGE DAILY OUTPATIENTS**



**NET PATIENT REVENUE BY PAYER**

## KEY PERFORMANCE DRIVERS

- ◆ MMH provides a significant amount of outpatient and behavioral health care services that typically generate negative margins.
- ◆ MMH focuses new program development on identified community needs, such as the hospital's cancer center.
- ◆ MMH has obtained some valuable economies of scale from the 1994 merger with Rockville General Hospital, but additional opportunities may be available from a single license and other initiatives.
- ◆ The hospital has experienced significant management turnover; information system development and staff recruiting have been somewhat neglected and now are a high priority.
- ◆ The hospital has experienced recent cost inflation from nursing salaries, specialized medical supplies, and new medical technologies.
- ◆ MMH historically has relied on nonoperating income to achieve positive total margins. Investment returns are likely to be lower this year and in the future.
- ◆ The hospital is experiencing a severe staffing shortage, increasing the risk that patients will need to be diverted to other facilities.

## SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

**MMH and Rockville General Hospital (RGH) Merger.** The 1994 affiliation of these two hospitals, and the formation of the Eastern Connecticut Health Network have continued to affect the development and performance of MMH. Problems with the merger's implementation have contributed to management turnover, and the full benefits of forming the ECHN have not yet been realized. The hospitals believe that establishing a single license would provide additional opportunities to achieve benefits from the merger.

**Information Systems.** The hospital is evaluating new clinical and enhanced financial information systems to improve management, coordination between the MMH and RGH sites, compliance with HIPAA, and efficiency.

**Finance.** ECHN has significant reserves of about \$100 million, and has maintained positive operating margins over the last several years. The hospitals recently received a favorable "A-" bond rating from Standard & Poors. Maintaining positive margins is becoming more challenging due to Medicare cuts, low Medicaid payment, pressure by commercial payers to contain cost, and technology costs.

**Community Issues.** The hospital allocates resources to outreach programs aimed at addressing the needs of the community as noted above.

**Staffing Shortage.** The hospital is experiencing a severe shortage of nurses and other health professionals, which is affecting service availability and capacity.

**Utilization.** ECHN is experiencing significantly higher volumes in 2000, and is developing inpatient and outpatient services in collaboration with Hartford area hospitals and in response to community needs.